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TAGS: [ECON](#) [ETRD](#) [EINV](#) [PGOV](#) [PREL](#) [TW](#) [CH](#)
SUBJECT: CHINA SENDS BUYING MISSIONS TO TAIWAN

Classified By: AIT Director Stephen M. Young for reasons 1.4 (b)
and (d).

11. (SBU) Summary. A series of large trade missions from the PRC have recently come to Taiwan to place significant orders for products ranging from consumer electronics components to agricultural products. These buying missions, according to public and private sector experts, will likely give Taiwan a limited economic boost in the short-term. At the same time, Taiwan analysts believe they serve Beijing's long-term political ends by signaling to the Taiwan populace that China's economic growth can create benefits for the island.
End Summary

Buying Missions Target a Variety of Sectors

12. (C) The President and CEO of Taiwan's External Trade Development Council (TaiTRA), Chao Yuen-chuan, recently told us that completed and planned PRC buying missions to Taiwan in May, June and July are in response to PRC Premier Wen Jiabao's statement at the April 17-19 Boao Forum that China should buy more products from Taiwan manufacturers. According to Chao, the May 17 announcement by PRC Taiwan Affairs Office Director Wang Yi of a new government policy encouraging leading enterprises, particularly state-owned enterprises, to purchase more products made by Taiwan firms is in direct response to Wen's statement. (Note: TaiTRA is a quasi-official trade promotion agency that receives approximately 20 percent of its annual budget, about USD 20 million, from public resources. TaiTRA has established nine trade offices in the PRC. It is completing some thirty Mainland market survey reports, to be available by the end of June for use by member firms. End Note.)

13. (SBU) Chao explained that PRC trade missions are normally organized by the Straits Economic and Technological Information Center, the China Trade Promotion Council, and the Cross-Straits Economic and Trade Association (CETA). In addition to these three, various industrial or commercial associations as well as provincial governments also occasionally organize trade missions.

14. (C) According to Chao, the PRC's Guangxi Autonomous Region organized a trade mission that came to Taiwan May 22-27 at the invitation of the Taiwan Metal Products Industry Association. Chao said the Guangxi trade mission committed to purchase approximately USD 280 million in electronic equipment, plastics, leather and textile products from more than 150 Taiwan manufacturers. He added that the group originally planned to buy about USD 170 million worth of goods, but increased its purchase orders after meeting with

Taiwan producers.

15. (C) CETA and five PRC commercial associations in the textile, light industry, consumer electronics and electrical machinery sectors organized a buying mission that arrived in Taiwan on May 30, according to Chao. TaiTRA arranged for the members of this delegation to meet with more than 160 Taiwan manufacturers, among them China Petroleum Corporation, Chi Mei Optoelectronics Corp., and the Formosa Plastics Group. Chao said the CETA-sponsored group included 28 enterprises with government contracts to produce televisions for PRC domestic consumption, primarily through a program that provides rural consumers subsidies to purchase electronic appliances. Chao estimated the group would place orders for TV components worth approximately USD 1.9 billion, although he commented that it would likely be several months before the actual purchases are completed.

16. (C) Chao said the China Television and Video Industry Association organized a buying mission that arrived in Taiwan on June 1. The delegation includes eight of China's largest television manufacturers that control about 70 percent of domestic market share, according to Chao. He claimed the buying mission is expected to place orders for approximately USD 2.2 billion in flat panel screens, double the amount originally planned, according to a press statement issued by the delegation's head. Chao noted that the group would also participate in a conference on flat panel technology development.

17. (SBU) Reportedly, PRC Minister of Commerce Chen Deming, will accompany a future Mainland trade mission to Taiwan, although Chao said he had received no confirmation of this from any of his counterparts in China. According to Chao, there will be at least two future buying missions, targeting automobile parts, machinery, agricultural products, and medical devices. In addition, according to Chao, TaiTRA has been invited to participate in the 2010 World Expo in Shanghai, and is allocating NTD 700 million (approximately USD 22 million) for the exposition.

Assessment of Impact Mixed

17. (C) Although the buying missions have received significant media coverage in Taiwan, there is no consensus among experts regarding their real economic impact. TaiTRA's Chao, for example, claimed the buying missions would definitely aid Taiwan manufacturers in the long-term, by giving them greater access to the PRC domestic market and establishing commercial relations with Mainland firms. According to the Vice Chairman of Taiwan's Mainland Affairs Council, Fu Don-cheng, the buying missions are a tool Beijing is using to improve cross-strait relations and enhance Taiwan residents' view of the PRC. However, he added, the missions do clearly benefit Taiwan businesses. Sophie Shih, Senior Research Fellow at the Chung Hwa Institute for Economic Research, told us the mission would have a small but discernible impact on Taiwan's economy, although the long-term impact was uncertain.

18. (C) In contrast, Andy Wang, Chief Financial Officer for leading flat panel manufacturer AU Optronics, was more skeptical. According to Wang, Taiwan manufacturers, particularly in the consumer electronics field, already have well-established relationships with buyers in China. Wang told us that the purchase of USD 2.2 billion worth of TFT-LCD panels announced by the television and video industry association buying mission is actually an aggregate of the value of existing purchase agreements. Wang said the buying mission was "staged" for political advantage to both the Ma administration and the PRC.

19. (C) The view of business leaders in sectors not directly involved in the buying missions is qualified. For example, Leslie Koo, Chairman of the Taiwan Cement Corporation told us recently that his firm is not benefiting from the PRC buying missions. Taiwan Cement's production is largely in the PRC, and the company is not really a target for PRC goodwill

efforts. Koo said he believes, though, that the buying missions are a good way of building trust and fostering better business ties between Taiwan and the PRC. Similarly, C.K. Liu, Chairman and CEO of TECO Electronic and Machinery Co., Ltd., told us that he considers the buying missions beneficial for the overall cross-Strait business climate, encouraging a stronger sense of trust between Taiwan and PRC businesses.

Comment

¶10. (C) We suspect that the "results" of such buying missions are exaggerated, because, if past PRC practice holds, much of it includes purchases that would have been made anyway, rather than additional purchases. Hence, the marginal boost to Taiwan's exports to the Mainland would be more limited. Moreover, it is unclear if large buying missions like those Taiwan has seen recently will continue in the future. Many of our interlocutors opined that if the buying missions do continue, it could create potentially significant economic gains for Taiwan. At the same time, many expressed the view that future missions would depend on continued improvement in the cross-Strait political climate, rather than on the sustained growth of domestic demand in China. End Comment.

YOUNG